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SUBJECT: CANADA TO OPEN NEW TRADE OFFICES IN CHINA, MEXICO
AND BRAZIL TO PROMOTE "AGGRESSIVE" TRADE POLICY

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¶1. (U) Summary: In a June 19 speech, International Trade Minister Emerson announced that Canada is establishing 10 new trade offices in China, Mexico, and Brazil as part of Canada's "aggressive" trade policy. This is in addition to new trade offices in India and Mongolia announced in April. The government will add staff to existing trade offices in Brazil, Chile, China, Colombia, India and Panama. In addition, Canada is expanding its Trade Commissioner Service in Canada with four new satellite offices in Ontario and British Columbia. The expansion in trade offices are part of the Harper government's Global Commercial Strategy, which is providing C\$50 million per year to further develop Canada's trade and investment interests at home and overseas. Emerson's remarks laid out the basic direction of Canada's trade policy, including NAFTA, the Asia-Pacific Gateway, the Doha Round, and also stressed the importance of Canada's negotiation of bilateral and regional agreements as a complement to Doha. The speech outlined Canada's trade, investment and civil aviation successes in Europe, Latin America and Asia during the last year. End Summary.

¶2. (U) Each year Canada's International Trade Minister gives a major speech on the occasion of International Trade Day, an event bringing together the Canadian business community, senior government officials, industry stakeholders and academics to discuss issues and priorities in international trade and economics. The speech is often the occasion for important announcements. This year's speech by Foreign Affairs and International Trade Minister David Emerson in Mississauga, Ontario was no exception. (Note: At the time of the speech, Emerson served as interim Foreign Affairs Minister as well as International Trade Minister. On June 25, Prime Minister Harper named Emerson Foreign Affairs Minister and gave the International Trade portfolio to Senator Michael Fortier. No change in trade policy is anticipated because of the change in Ministers. End Note)

¶3. (U) The Minister announced that new Canadian trade offices will open in six cities across China (Chengdu, Nanjing, Qingdao, Shenyang, Shenzhen, and Wuhan), two in Mexico (Tijuana and Villahermosa) and two in Brazil (Porto Alegre

and Recife). These are in addition to two offices in India (Hyderabad and Kolkata) and one in Mongolia (Ulaanbaatar) announced in April. The government will also add new trade staff to existing offices in Brazil, Chile, China, Colombia, India, and Panama.

¶4. (U) Emerson described the Chinese cities selected as important regional hubs and key commercial centers that offer opportunities in education, research, transportation, tourism and high technology. The new Mexican offices will help Canadian firms take advantage of promising markets in northwestern Mexico and along the Gulf of Mexico coast. The Brazilian offices will provide a strategic link to Brazil's Mercosur partners of Argentina, Chile, Paraguay, and Uruguay. QMercosur partners of Argentina, Chile, Paraguay, and Uruguay.

¶5. (U) Comment: More generally, the location of the new offices also reflects the Harper government's foreign and trade policy priorities: re-engagement in the Americas and enhanced relations between Canada and emerging Asian markets, especially in China and India. End comment.

¶6. (U) On the domestic front, Emerson said that Canada is expanding its Trade Commissioner Service in Canada with four new satellite offices in Ontario (Kitchener, Windsor, Ottawa) and British Columbia (Victoria). Additional trade officers will be added to existing offices. Regional or satellite offices are usually the first point of contact for firms wanting to link up with the Canadian Trade Commissioner Service (TCS) worldwide network. The TCS is currently staffed by about 900 trade commissioners working in 150 cities outside Canada and 13 Canadian cities.

¶7. (U) Emerson explained that Canada is expanding its international footprint to maintain its competitive advantage

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in key markets and to bolster the domestic economy and quality of life for Canadians: "These new trade offices will help provide (Canadian) companies with the tools they need to access global supply chains and expand their commercial activities." The Minister said business has been demanding more services in growing markets abroad as well as enhanced local service in Canada. Domestic offices "play a key role in encouraging small and medium-sized enterprises to seek international opportunities and succeed in new markets. Expanding our domestic points of service means more Canadian businesses will be active on the world stage."

¶8. (U) In his speech, Emerson also outlined the milestones Canada reached in trade, investment and civil aviation during the last year in Europe, Latin America and Asia. He described how the government has vastly increased bilateral trade ties with Canada's global partners in line with its Global Commerce Strategy. Earlier this year, Canada signed a new free trade agreement (FTA) with the European Free Trade Association (EFTA) countries of Iceland, Liechtenstein, Norway and Switzerland. In addition, Canada signed an FTA with Peru and concluded negotiations with Colombia. The government is continuing negotiations with South Korea, the Caribbean Community, the Dominican Republic, Jordan, Singapore and the Central American Four of El Salvador, Guatemala, Honduras, and Nicaragua, while looking to possible new initiatives with countries such as Panama.

¶9. (U) Emerson said that Canada has concluded negotiations of foreign investment promotion and protection agreements with India and Jordan, and negotiations with several other countries are underway. Canada also concluded new air agreements with Jordan, Iceland, New Zealand, Singapore, Mexico, Barbados, the Philippines and Panama, and launched negotiations with the EU for a comprehensive open skies agreement that would govern air services between Canada and all 27 EU countries. Emerson said that Canada has expanded its work with China and India through existing science and technology agreements. Earlier in June, Canada took an

important step to deepen and broaden its commercial and economic relations with France with the signature of a Canada-France Joint Action Plan.

¶10. (U) In reviewing the recent accomplishments, Emerson told his audience that "We know that trade follows investment. With all these bilateral arrangements, Canada is attaining a stronger position to climb global value chains, increase inward and outward investment, gain preferential market access for Canadian firms and, ultimately, generate prosperity at home and abroad."

¶11. (U) No doubt in response to recent statements in the U.S. political campaign, the Minister stressed that "in today's global economy, NAFTA needs to be a platform for all North America's business -- Canadian, American, and Mexican - to reach out to the world's markets." He saw NAFTA as a powerful tool that enables North American workers to take on Qpowerful tool that enables North American workers to take on intensifying global competition: "NAFTA is not the problem. NAFTA is part of the solution." He also advocated collaboration to develop a smooth, efficient Canada-U.S. border "to bring our sectors together by removing red tape, improving transportation and logistics and sharing our commercial strengths."

¶12. (U) However, Emerson acknowledged that his country should diversify its trade and investment patterns beyond North America. In particular, he praised Canada's Asia-Pacific Gateway and Corridor Initiative as a "visionary" effort to create a globally competitive transportation system linking the heartland of North America and Asia through integrating ports, airports, roads, railways and border services. These remarks came as no surprise since Emerson served as Minister for the Pacific Gateway in addition to his other responsibilities.

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¶13. (U) Emerson said that WTO remains the foundation of Ottawa's efforts to negotiate away remaining barriers in international markets: "Canada continues to be an active and vocal supporter of the Doha round of negotiations." Failing a deal by the end of 2008, "we run the risk of a potentially lengthy freeze in the negotiations." The Minister said that Canada is ready to do its part for a successful deal, but a success depends on the "meaningful engagement and contributions of all WTO members, including large developing countries."

¶14. (U) Since there is uncertainty in the "broad and ambitious" Doha process, and for "offensive and defensive reasons," Emerson said Canada now recognizes the importance of negotiating bilateral and regional agreements as a "complement" to Doha. He recalled that last year he said Canada was falling behind its trading partners such as the U.S., the EU, Mexico, Australia and Chile, among others, in signing bilateral trade deals which put Canadian companies at a competitive disadvantage in key markets. That was why Canada recently accelerated its activity to reach its own bilateral and regional trade deals.

¶15. (U) International Trade Day was also marked by the release of the latest versions of two annual publications: Canada's State of Trade: Trade and Investment Update 2008, which reviews Canada's performance in international trade and investment in 2007, and Canada's International Market Access Report 2008. The Trade and Investment Update said that despite the appreciation of the Canadian dollar and slowing U.S. growth, Canada's exports of goods and services increased by 1.9 percent to a record C\$532.7 billion. Its imports of goods and services advanced 3.2% to C\$502.5 billion. The report also noted that Canadian exporters are diversifying. Goods and services exports to the EU grew by 17.6 percent, while those to markets outside of the U.S., the EU and Japan grew by 13.3 percent. China replaced Japan as the third most

important market for Canadian merchandise exports. The U.S. remains Canada's largest trading partner.

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